

July 27, 2020

The meeting of the Board of Finance was called to order at 3:05 p.m. via Webex

Present: Honorable Bernard “Jack” C. Young, Mayor and President (via teleconference)  
Joan M. Pratt, Comptroller and Member (via teleconference)  
Frederick Meier, Member  
Dana Moulden, Member (via teleconference)  
Stephen Kraus, Deputy Director of Finance and Clerk to the Board of Finance

Also Present: Jennell Rogers, Chief, Bureau of Treasury Management  
Benedict Richardson, Deputy Chief, Bureau of Treasury Management  
Evelyn Alston, Treasury Management  
Max Levee, Municap  
Keenan Rice, Municap  
Jalal Green, DHCD (via teleconference)  
Janet Abrahams, HABC (via teleconference)  
Michael Braverman, HABC (via teleconference)  
Alan Cason, McGuire Woods LLC (teleconference)  
Carolyn Mozell, Mayor’s Office (via teleconference)  
Joann Levin, Law Department (via teleconference)

## **MINUTES**

Mayor Young requested the Board to review the minutes from the meeting of May 18, 2020. The minutes were approved on the motion of Comptroller Pratt, seconded by Ms. Moulden.

## **SECURITY TRANSACTIONS**

Ms. Rogers briefed the Board on the investment activity for this period noting that total securities purchases since the last Board of Finance meeting were \$630,000,000 and redemptions totaled \$855,000,000. Mr. Kraus added that rates remain very low at this time.

Security transactions since the meeting of May 18, 2020 were approved on the motion of Ms. Moulden, seconded by Comptroller Pratt. (Appendix I)

## **MARK TO MARKET VALUATION OF SWAP PORTFOLIO**

Ms. Rogers presented the Mark to Market Valuation Report as of June 30, 2020 with a notional amount of \$149,815,000. The fair market value of the swap portfolio decreased from (\$29,768,478) to (\$28,767,895). The ten-year Treasury rate increased from 0.64% to 0.66%. Ms. Rogers noted that Treasury posted \$1,300,000 collateral against UBS AG because the fair market value is above \$25,000,000. Mr. Kraus added that this action is not unusual because of the low interest rates.

The Board accepted the report. (Appendix II)

## **LEGISLATION FOR THE PERKINS SOMERSET OLDTOWN PROJECT**

Ms. Rogers requested the Board to consider and approve the enclosed resolution authorizing the introduction to the City Council of the below ordinances for the Perkins Somerset Oldtown (PSO) Tax Increment Financing:

- 1.) PSO Development District
- 2.) PSO Special Taxing District
- 3.) PSO Bond Ordinance – Authorizing the issuance of no more than \$105,000,000 of special obligation bonds.

This Board previously approved the Perkins Choice TIF concept (TIF policy process step II) on June 18, 2018. The next step is the introduction of legislation authorizing the development district, special taxing district, and the bond ordinance. If this Board approves the legislation, it will be introduced for City Council consideration in August 2020.

This action is not an authorization to issue bonds, Treasury must return to the Board again to obtain such approval. At that time an updated forecast and results of further due diligence shall be presented. Enclosed is a Board resolution, legislation, and an updated application that includes a revised forecast and fiscal impact. Certain elements of the project have changed and the supplemental application details the amendments.

Mr. Kraus noted that there have been many updates since the last presentation in 2018. The development is not as much a commercial project as initially introduced; it is now almost entirely residential. Mr. Kraus further asserted that, within the last two years, the development team has realized that there is not as much of a need for commercial property in that area as was initially anticipated. To this end, there has been a significant shift in the use of the space into more affordable housing units. This has placed a financial strain on the project because it will not generate the same amount of revenue due to the fact that the affordable housing units will not pay the same tax increment as the commercial units. Mr. Kraus advised the team that, while some items have changed, the TIF amount remains \$105M and the development team is the same.

Mayor Young asked if the special taxing district will include only the project footprint or if it will extend to where Perkins is right now. Keenan Rice, Municap, stated that the special taxing district will include the affordable housing area; however, affordable housing is exempt from special taxing. Special taxing includes commercial and market rate development only. Mayor Young asked who will own the affordable housing units. Janet Abrahams, HABC, responded that an LLC that will be formed for the ownership structure of the units. Mayor Young expressed more concerns regarding the special taxing district. Mr. Kraus asserted that the City is protected by the special taxing district because it ensures that the debt service on the bonds will be paid so that the City will be made whole. Comptroller Pratt asked if the City will receive money from any ground leases. Ms. Abrahams responded that the City and HABC will yield some profit over time.

The presentation was turned over to Michael Braverman, HABC. Mr. Braverman gave an overview of the project noting its benefit to the community in that it gives an opportunity to transform an isolated segment of the City into a thriving, mixed-income community. Comptroller Pratt asked if children from both Perkins and Somerset will be allowed to attend City Springs School. Ms. Abrahams stated that children from both communities will be allowed to attend the school. Ms. Moulden asked if a grocery store, dry cleaners, and businesses that a neighborhood needs will be included in the project. Mr. Braverman stated that these types of businesses will be included and further asserted that there will be retail space for small neighborhood businesses as well. Mayor Young inquired about the percentage of renters versus homeowners and whether the location of rental units will be distributed throughout the entire footprint. Ms. Abrahams asserted that the rental properties will be spread throughout the 244 acres of the project. Comptroller Pratt

asked about the relocation incentives and the return plan for the people currently living there. Ms. Abrahams responded that all relocation costs are paid by the Housing Authority including move-in costs, utility transfer, and mobility counseling. She informed the Board that families can opt to move back into units after the project is completed. Mayor Young asked about the placement of affordable housing units. Mayor Young wanted to be certain that these units be dispersed throughout the footprint and not limited to one segment of the project area. Ms. Abrahams stated that there is a mix of market rate housing throughout each one of the sites. Ms. Moulden requested that the Board be provided with a chart that shows the breakdown of each market segment. Ms. Abrahams agreed to provide a chart to Board members for clarity. Comptroller Pratt asked if 620 N. Caroline Street is part of the project. Mr. Braverman responded yes and that it will be used as student housing.

Mr. Kraus addressed the team regarding the sources of funds for the project. He informed the Board that commercial space is looked at differently than affordable housing because commercial space has the ability to generate more revenue. The “But For” test ensures that the City is not over-subsidizing the project but only providing enough benefit to complete the project and nothing more. Mr. Rice, Municap, added that the sources of funds support the cost of housing but not the cost of infrastructure. The funding gap is about \$48M which goes solely to the cost of public and infrastructure improvements, not to the developer. The TIF will fund this gap. Ms. Moulden expressed a concern that- between the market rate return and the developer fees- developers appear to profit well. Mr. Rice asserted that there are controls in place to make sure that the developer fees provide reasonable compensation and do not produce a hidden profit. Mr. Kraus advised the Board of the employment impacts of the project, which include 5,600 temporary, full-time jobs and 900 permanent jobs are forecasted as a result the project. Mr. Kraus advised the Board of the fiscal impact of the project. The net impact is about \$2.1M representing tax revenue in excess of the repayment of the TIF bonds. He noted that there will be some lean years where the City will go negative resulting in special tax assessment but overall the cumulative impact is forecasted to be positive.

Legislation for the Perkins Somerset Oldtown project was approved on the motion of Ms. Moulden, seconded by Comptroller Pratt.

### **AMENDMENT TO THE CITY’S INVESTMENT POLICY**

Due to the lengthy discussion surrounding the Perkins Somerset Oldtown project, Mr. Kraus suggested that this agenda item be tabled until the next meeting.

The suggestion to table the approval of an amendment to the City’s Investment Policy until the next Board meeting was approved on the motion of Ms. Moulden, seconded by Comptroller Pratt.

### **OTHER BUSINESS**

There was no other business; the meeting was adjourned at 4:35 pm.

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Stephen M. Kraus  
Clerk to the Board of Finance